

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Fremont Township	County Isabella
Audit Date 3/31/05	Opinion Date 7/11/05	Date Accountant Report Submitted to State: 9/6/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Page, Olson & Company, P.C., CPA's			
Street Address 2865 South Lincoln Road - P.O. Box 368	City Mt. Pleasant	State MI	ZIP 48808-0368
Accountant Signature 		Date 8/30/05	

FREMONT TOWNSHIP, ISABELLA COUNTY

STATE OF MICHIGAN

AUDITED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2005

FREMONT TOWNSHIP, ISABELLA COUNTY
YEAR ENDED MARCH 31, 2005

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FREMONT TOWNSHIP, ISABELLA COUNTY
TOWNSHIP OFFICIALS
YEAR ENDED MARCH 31, 2005

SUPERVISOR

Gerad Himebaugh

CLERK

Mary Ann Judge (resigned 11/04)

John Schimmelmann (from 11/04)

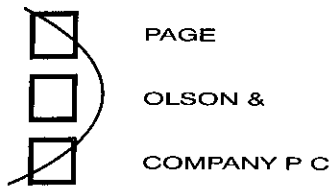
TREASURER

Shirlee Van Bonn

TRUSTEES

Gary Curtiss

Patricia Hohlbein



INDEPENDENT AUDITORS' REPORT

July 11, 2005

Township Board
Fremont Township
Isabella County, Michigan

We have audited the accompanying statements of assets and liabilities arising from cash transactions of the Township of Fremont as of March 31, 2005, and the related statement of revenue collected and expenditures paid for the year then ended, as listed in the Table of Contents. These financial statements are the responsibility of the management of the Township of Fremont. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township of Fremont has a population of less than 4,000 people and is therefore required by Act 46, Public Acts of 1996 of the State of Michigan, to have an independent audit only biennially. The preceding year has thus not been audited; however, we have performed various tests of the opening balances.

As described in the Summary of Significant Accounting Policies, Note 1-C, the Township prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

As described in Note 1-C, the Township prepared these financial statements using the minimum accounting practices prescribed by the Michigan Department of Treasury to demonstrate compliance with the State's accounting and budget laws, which practices differ from accounting principles generally accepted in the United States of America. The differences in presentation allowed by the State and that of accounting principles generally accepted in the United States of America are also described in Note 1-C.

Township Board
Fremont Township
Isabella County, Michigan

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States, the financial position of the Township of Fremont as of March 31, 2005, or the changes in its financial position or its cash flows, where applicable, for the year then ended.

Also, in our opinion, the financial statements do present fairly the assets, liabilities, and cash basis fund balance of the individual funds of the Township of Fremont as of March 31, 2005, arising from cash transactions, and its revenue collected, expenditures paid, and changes in cash basis fund balance for the year ended, on the basis of accounting and presentation described in Note 1-C.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township's basic financial statements. The Other Supplemental Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The General Fixed Assets Schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Our report of comments and recommendations is included herein and forms a part of this report.

Page, Olson & Company

FREMONT TOWNSHIP, ABELLA COUNTY
STATEMENT OF ASSETS AND LIABILITIES ARISING
FROM CASH TRANSACTIONS - GOVERNMENTAL FUNDS
MARCH 31, 2005

Statement I

	General Fund	Fire Fund	First Response Fund	Non-Major Governmental Funds	Total
Assets					
Cash and Cash Equivalents	\$ 185,433	\$ 10,836	\$ 24,038	\$ 2,555	\$ 222,862
Certificates of Deposit	25,722	-	-	-	25,722
Total Assets	\$ 211,155	\$ 10,836	\$ 24,038	\$ 2,555	\$ 248,584
Liabilities					
Payroll Taxes Payable	\$ 268	\$ 69	\$ -	\$ 46	\$ 383
Community Building Security Deposits	1,590	-	-	-	1,590
Total Liabilities	1,858	69	-	46	1,973
Fund Balances					
Reserved	-	10,767	24,038	2,509	37,314
Unreserved - Undesignated	209,297	-	-	-	209,297
Total Liabilities and Fund Balance	\$ 211,155	\$ 10,836	\$ 24,038	\$ 2,555	\$ 248,584

The accompanying notes are an integral part of the financial statements.

FREMONT TOWNSHIP, ISABELLA COUNTY
STATEMENT OF REVENUE COLLECTED, EXPENDITURES
PAID, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2005

Statement II

	General	Fire	First Response	Other Non-Major Governmental	Total
Revenue					
Property Taxes	\$ 28,986	\$27,393	\$ 13,694	\$ -	\$ 70,073
Intergovernmental Revenue	99,113	440	-	963	100,516
Interest Earnings	2,040	-	56	6	2,102
Charges for Services	8,108	-	5,900	220	14,228
Rents and Royalties	7,300	-	-	-	7,300
Donations	100	1,220	-	-	5,320
Reimbursements	3,259	755	550	4,000	4,564
Miscellaneous	-	-	31,783	-	31,783
Total Revenue	148,906	29,808	51,983	5,189	235,886
Expenditures					
GENERAL GOVERNMENT					
Township Board	4,614	-	-	-	4,614
Supervisor	6,010	-	-	-	6,010
Assessor	8,507	-	-	-	8,507
Elections	2,284	-	-	-	2,284
Clerk	8,324	-	-	-	8,324
Board of Review	630	-	-	-	630
Treasurer	10,622	-	-	-	10,622
Building and Grounds	23,984	-	-	-	23,984
Cemetery	18,501	-	-	-	18,501
Total General Government	83,476	-	-	-	83,476
PUBLIC SAFETY	-	37,355	45,423	963	83,741
PUBLIC WORKS					
Highways and Streets	8,352	-	-	-	8,352
Right of Way	4,028	-	-	-	4,028
Street Lights	3,124	-	-	-	3,124
Total Public Works	15,504	-	-	-	15,504

The accompanying notes are an integral part of the financial statements.

FREMONT TOWNSHIP, ISAE LA COUNTY
STATEMENT OF REVENUE COLLECTED, EXPENDITURES
PAID, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2005

Statement II

	General	Fire	First Response	Other Non-Major Governmental	Total
Expenditures (Continued)					
PLANNING AND ZONING	\$ -	\$ -	\$ -	\$ 2,844	\$ 2,844
CULTURE AND RECREATION					
Library	1,727	-	-	-	1,727
Utilities	1,800	-	-	-	1,800
Rent	750	-	-	-	750
Parks	4,277	-	-	-	4,277
Total Culture and Recreation					
OTHER FUNCTIONS					
Fringe Benefits	7,213	-	-	-	7,213
Insurance Not Charged of Specific Activities	7,914	-	-	-	7,914
Total Other Functions	15,127	-	-	-	15,127
Total Expenditures	118,384	37,355	45,423	3,807	204,969
Excess Revenue Collected Over (Under) Paid	30,522	(7,547)	6,560	1,382	30,917
Other Financing Sources (Uses)					
Operating Transfers Out	(12,000)	-	-	-	(12,000)
Operating Transfers In	-	11,000	-	1,000	12,000
Total Other Financing Sources (Uses)	(12,000)	11,000	-	1,000	-
Excess Revenue Collected Over (Under) Expenditures Paid	18,522	3,453	6,560	2,382	30,917
Fund Balance - April 1	190,775	7,314	17,478	127	215,694
Fund Balance - March 31	\$ 209,297	\$ 10,767	\$ 24,038	\$ 2,509	\$ 246,611

The accompanying notes are an integral part of the financial statements.

**FREMONT TOWNSHIP, ISABELLA COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
MARCH 31, 2005**

Statement III

Assets

Cash and cash equivalents	\$ <u>26,903</u>
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Liabilities

Undistributed Taxes	\$ <u>26,903</u>
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**FREMONT TOWNSHIP, ISABELLA COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2005**

Statement IV

ADDITIONS

Collections:	
Property Taxes	\$ 731,947

Investment Income:	
Interest	<u>-</u>

Total Additions	731,947
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DEDUCTIONS

Disbursements:	
Distributed Taxes	705,044
Refunds	<u>-</u>

Total Deductions	705,044
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Change in Net Assets	26,903
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Net Assets - April 1	<u>-</u>
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Net Assets - March 31	\$ <u>26,903</u>
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The accompanying notes are an integral part of the financial statements.

FREMONT TOWNSHIP, ISABELLA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fremont Township is a general law Michigan township with a population of less than 4,000 people. The Township is governed by a five member board of officials elected by the Township voters.

A. FINANCIAL REPORTING ENTITY

In evaluating how to define the government, for financial reporting purposes, management has considered all potential agencies and organizations. The decision to include a potential agency or organization in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB) Statement 14. Generally, component units are legally separate organizations for which the elected officials of the Township are financially accountable. Financial accountability is determined by the Township's ability to impose its will on the component unit, as well as the unit's significance regarding operational and financial relationship with the Township. Based upon the application of this criteria there were no other units to be included in the financial statements.

B. FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures as appropriate. The Township reports the following major funds:

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Fire Fund* is used to account for the special fire millage. The fund accounts for the volunteer fire department of Fremont Township.

The *First Response Fund* is used to record earmarked revenue set aside by the Township for the purpose of providing emergency services.

The Township reports the following non-major funds:

The *Liquor Law Enforcement Fund* is used to account for activities related to liquor law enforcement.

The *Planning and Zoning Commission Fund* is used to account for earmarked revenue set aside for local planning purposes.

Additionally, the Township reports the following fund types:

The *Current Property Tax Collections Fund* is used to account for assets held by the Township as an agent for individuals, other governments, and/or other funds.

FREMONT TOWNSHIP, ISABELLA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF ACCOUNTING AND PRESENTATION

The accounting books and records of the Township of Fremont are maintained on a cash basis of accounting during the year and the financial statements have been prepared directly from these books and records. The financial statements do not, therefore, give effect to accounts receivable, accounts payable, and accrued items. Additionally, it does not give effect to the recording of capital assets or related depreciation or accumulated depreciation. Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments sets forth the required financial reporting formats for local governments in accordance with generally accepted accounting principles. The Local Audit and Finance Division of the Michigan Department of Treasury responsible for overseeing local unit compliance has determined that omission of the Management's Discussion and Analysis, the Government-Wide Statements and/or Infrastructure Reporting will not result in any sanctions or remediation, as such the Township has elected to omit these sections of the GASB 34 reporting format.

D. PROPERTY TAXES

Fremont Township levies a millage of 0.9920 mills for general operations and a millage of 0.9590 mills for fire protection. The Township property tax is levied on December 1. Taxes are payable on a current basis from December 1 to February 28, at which point they become delinquent.

Receipts of current and delinquent property taxes are recorded as revenue in the year in which received. Isabella County, the county in which the Township of Fremont is located, has a delinquent tax revolving fund whereby the County pays the Township for its delinquent real property taxes. It then becomes the County's responsibility to collect these delinquent taxes from the various taxpayers. Delinquent personal property taxes are immaterial and are recognized as revenue in the year collected.

E. COMMON CHECKING

The General Fund and the Liquor Law Enforcement Fund share a common checking account. It is possible at certain times during the year, that one fund show a negative checking balance. When this occurs, this represents a type of temporary interfund borrowing.

F. RESERVATIONS OF FUND BALANCE

Reservations of fund balance are established to identify (1) third-party claims against resources of the entity that have not materialized as liabilities at the balance sheet date, or (2) the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, or (3) the existence of assets that are legally restricted to a future use.

FREMONT TOWNSHIP, ISABELLA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with the basis of accounting utilized by the Township and state law for the general fund and all special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information at the function level. The legal level of budgetary control adopted by the board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level for the general fund and all special revenue funds. State law requires the Township to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budgets during the year. The Township amended its budget at various times during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The General Fund and all special revenue funds did not incur expenditures in excess of the legal level of appropriations for the year ended March 31, 2005.

NOTE 3 - CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations.

Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States; repurchase agreements consisting of bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; bankers' acceptances of United States banks, obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service; commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company act of 1940, with the authority to purchase only investment by a public corporation; obligations described above if purchased through an inter-local agreement under the urban cooperations act of 1967, PA 7, MCL 124.501 to 124.512; investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118, and the investments pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Township's deposits are in accordance with statutory authority.

The Township of Fremont's cash and investments during the year consisted of cash in checking accounts and certificates of deposit. This is in accordance with statutory authority and within local unit authorization.

FREMONT TOWNSHIP, ISABELLA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Carrying Amount

At year end, the carrying amount of cash and investments held by the Township of Fremont was \$275,487, as follows:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Petty Cash	\$ 300	\$ -	\$ 300
Deposits with financial institutions:			
Cash in Checking	119,935	26,903	146,838
Cash in Savings	102,627	-	102,627
Certificates of Deposit	<u>25,722</u>	<u>-</u>	<u>25,722</u>
	<u>\$ 248,584</u>	<u>\$ 26,903</u>	<u>\$ 275,487</u>

On March 31, 2005 the carrying amount of deposits with financial institutions was \$275,187 of which \$237,639 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$37,548 was uninsured and uncollateralized. Actual deposits with financial institutions were \$294,518 of which \$253,386 was covered by the FDIC and \$41,132 was uninsured and uncollateralized.

Due to varying cash flows the Township's deposits with financial institutions were higher during the year than at year end. Therefore, there may have been more deposits that were uninsured and uncollateralized at points during the year.

NOTE 4 - FUND EQUITY - RESTRICTED FUND BALANCE

Fire Fund

Fire Fund fund balance of \$10,767 is restricted for Fire Department operations.

First Response Fund

First Response Fund fund balance of \$24,038 is restricted for emergency services operations.

Planning and Zoning Commission Fund

Planning and Zoning Commission Fund fund balance of \$2,509 is restricted for Planning and Zoning operations.

FREMONT TOWNSHIP, ISABELLA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005

NOTE 5 - JOINT AUTHORITY - JOINT CONSTRUCTION CODE AUTHORITY

Fremont Township participates in a joint authority with Nottawa, Rolland, Deerfield, and Sherman Township in the Joint Construction Code Authority, which is established as a distinct and separate entity. This is set up specifically to administer and enforce the building and construction codes adopted by each of the participating local units of government; to set, collect and deposit fees for permits and inspections; and to hire sufficient building inspectors. Five townships participated in the fund at March 31, 2003.

The Township made no contributions to the Fund for the past fiscal year. The fund was established with donated funds and currently continues with its own revenues and additional donations. If the fund should experience a budgeted shortfall, each of the participating townships is responsible for submitting funds to cover that shortfall.

Audited financial information for the Joint Construction Code Authority for the year ended March 31, 2003 (latest available audited financial statements) is as follows:

Total Assets	\$ 10,358
Cash Basis Fund Balance	10,358
Excess Revenue Over (Under) Expenditures	2,034

NOTE 6 - PENSION PLAN

Fremont Township participates in a defined contribution pension plan administered by Municipal Retirement Systems, Inc. The plan is available for all Township Officials and employees. Contributions to the Fremont Township Money Purchase Pension Plan are based on a percentage of compensation as stated in the Township Pension Ordinance adopted July 24, 1998 with an effective date of September 29, 1998. The Township is contributing the employer share to the pension plan. Each official or employee covered by this plan will have a vested right or interest immediately from the date such person first participates in the plan.

For the year ended March 31, 2005, the Township made the required 20 percent contribution of \$5,871. The value of the plan's assets and vested benefits as of March 31, 2005 is \$17,157.

FREMONT TOWNSHIP, ISABELLA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005

NOTE 7 - NOTE PAYABLE

In October 2004, Fremont Township obtained a mortgage with Isabella Bank and Trust for the purchase of a First Response rescue vehicle. The original amount of the mortgage, \$31,783, is payable over 5 years at 3.4 percent interest. The debt service requirements to maturity are as follows:

<u>Year Ended March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2006	\$ 5,939	\$ 1,080	\$ 7,019
2007	6,140	879	7,019
2008	6,349	670	7,019
2009	6,565	454	7,019
2010	<u>6,789</u>	<u>231</u>	<u>7,020</u>
Total	<u>\$ 31,782</u>	<u>\$ 3,314</u>	<u>\$ 35,096</u>

NOTE 8 - RELATED PARTIES

The Township entered into transactions with Winn Tax Service during the year ended March 31, 2005. The owner of Winn Tax Service is a board member of the Township. The dollar amount of the transactions were immaterial.

NOTE 9 - CONTINGENCIES

Litigation

Fremont Township is subject to various legal proceedings arising in the course of providing services to the public. However, in the opinion of Fremont Township's attorney and management, the resolution of these matters may not have a material effect, if any, on the financial condition of Fremont Township.

REQUIRED SUPPLEMENTAL INFORMATION

**FREMONT TOWNSHIP, ISABELLA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
YEAR ENDED MARCH 31, 2005**

Schedule 1

	Original Budget	Final Amended Budget	Actual
Revenue			
Property Taxes	\$ 30,500	\$ 29,755	\$ 28,986
Intergovernmental Revenue	96,500	98,344	99,113
Interest Earnings	1,800	1,318	2,040
Charges for Services	8,800	8,108	8,108
Rents and Royalties	7,000	7,300	7,300
Donations	1,000	100	100
Reimbursements	900	3,259	3,259
Total Revenue	146,500	148,184	148,906
Expenditures			
GENERAL GOVERNMENT			
Township Board	7,500	4,636	4,614
Supervisor	6,610	6,010	6,010
Audit Fees	500	-	-
Assessor	9,500	8,507	8,507
Elections	3,000	2,284	2,284
Clerk	8,000	8,324	8,324
Board of Review	1,000	630	630
Treasurer	10,000	10,622	10,622
Building and Grounds	17,500	23,984	23,984
Cemetery	18,000	18,501	18,501
Total General Government	81,610	83,498	83,476
PUBLIC WORKS			
Highways and Streets	40,000	8,352	8,352
Right of Way	-	4,028	4,028
Street Lights	3,500	3,124	3,124
Drains	1,000	-	-
Total Public Works	44,500	15,504	15,504
CULTURE AND RECREATION			
Library	4,000	3,527	3,527
Parks	3,000	750	750
Total Culture and Recreation	7,000	4,277	4,277

**FREMONT TOWNSHIP, ISABELLA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
YEAR ENDED MARCH 31, 2005**

Schedule 1

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
Expenditures (Continued)			
OTHER FUNCTIONS			
Fringe Benefits	\$ 8,500	\$ 7,214	\$ 7,213
Insurance Not Charged of Specific Activities	8,500	7,914	7,914
Contingency	<u>6,000</u>	<u>-</u>	<u>-</u>
Total Other Functions	<u>23,000</u>	<u>15,128</u>	<u>15,127</u>
Total Expenditures	<u>156,110</u>	<u>118,407</u>	<u>118,384</u>
Excess Revenue Collected Over (Under)			
Expenditures Paid	(9,610)	29,777	30,522
Other Financing Sources (Uses)			
Operating Transfers Out	<u>(19,000)</u>	<u>(12,000)</u>	<u>(12,000)</u>
Excess Revenue Collected Over (Under)			
Expenditures Paid and Other Financing Uses	(28,610)	17,777	18,522
Fund Balance - April 1	<u>190,505</u>	<u>190,568</u>	<u>190,775</u>
Fund Balance - March 31	<u>\$ 161,895</u>	<u>\$ 208,345</u>	<u>\$ 209,297</u>

**FREMONT TOWNSHIP, ISABELLA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON STATEMENT - FIRE FUND
YEAR ENDED MARCH 31, 2005**

Schedule 2

	Original Budget	Final Amended Budget	Actual
Revenue			
Property Taxes	\$ 29,000	\$ 27,393	\$ 27,393
Intergovernmental Revenue	-	440	440
Charges for Services	1,800	-	-
Donations	1,300	1,220	1,220
Reimbursements	<u>500</u>	<u>755</u>	<u>755</u>
Total Revenue	32,600	29,808	29,808
Expenditures	<u>42,000</u>	<u>37,355</u>	<u>37,355</u>
Excess Revenue Collected Over (Under) Expenditures Paid	(9,400)	(7,547)	(7,547)
Other Financing Sources (Uses)			
Operating Transfers In	<u>13,000</u>	<u>11,000</u>	<u>11,000</u>
Excess Revenue Collected Over (Under) Expenditures Paid and Other Financing Uses	3,600	3,453	3,453
Fund Balance - April 1	<u>7,383</u>	<u>7,383</u>	<u>7,314</u>
Fund Balance - March 31	<u>\$ 10,983</u>	<u>\$ 10,836</u>	<u>\$ 10,767</u>

**FREMONT TOWNSHIP, ISABELLA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON STATEMENT - FIRST RESPONSE FUND
YEAR ENDED MARCH 31, 2005**

Schedule 3

	Original Budget	Final Amended Budget	Actual
Revenue			
Property Taxes	\$ 14,500	\$ 13,694	\$ 13,694
Interest Earnings	100	56	56
Charges for Services	4,600	5,900	5,900
Donations	300	-	-
Reimbursements	-	550	550
Miscellaneous	<u>-</u>	<u>31,783</u>	<u>31,783</u>
Total Revenue	19,500	51,983	51,983
Expenditures	<u>10,000</u>	<u>45,423</u>	<u>45,423</u>
Excess Revenue Collected Over (Under) Expenditures Paid	9,500	6,560	6,560
Fund Balance - April 1	<u>17,489</u>	<u>17,478</u>	<u>17,478</u>
Fund Balance - March 31	<u>\$ 26,989</u>	<u>\$ 24,038</u>	<u>\$ 24,038</u>

OTHER SUPPLEMENTAL INFORMATION

**FREMONT TOWNSHIP, ISABELLA COUNTY
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF ASSETS AND LIABILITIES ARISING
FROM CASH TRANSACTIONS
NON MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2005**

Schedule 4

	<u>Planning and Zoning</u>	<u>Liquor Law Enforcement</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ 2,555	\$ -	\$ 2,555
Certificates of Deposit	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>\$ 2,555</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,555</u></u>
Liabilities			
Payroll Taxes Payable	\$ 46	\$ -	\$ 46
Fund Balances			
Reserved	2,509	-	2,509
Unreserved - Undesignated	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u><u>\$ 2,555</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,555</u></u>

FREMONT TOWNSHIP, ISABELLA COUNTY
COMBINING STATEMENT OF REVENUE COLLECTED, EXPENDITURES
PAID, AND CHANGES IN FUND BALANCE
NON MAJOR GOVERNEMENTAL FUNDS
YEAR ENDED MARCH 31, 2005

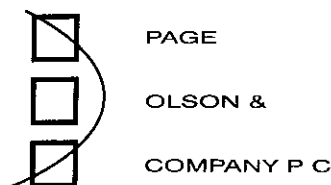
Schedule 5

	Planning and Zoning	Liquor Law Enforcement	Total Nonmajor Governmental Funds
Revenue			
Intergovernmental Revenue	\$ -	\$ 963	\$ 963
Interest Earnings	6	-	6
Charges for Services	220	-	220
Donations	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Total Revenue	4,226	963	5,189
Expenditures			
PUBLIC SAFETY	-	963	963
PLANNING AND ZONING	2,844	-	2,844
Total Expenditures	<u>2,844</u>	<u>963</u>	<u>3,807</u>
Excess Revenue Collected Over (Under)			
Expenditures Paid	1,382	-	1,382
Other Financing Sources (Uses)			
Operating Transfers In	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Excess Revenue Collected Over (Under)			
Expenditures Paid and Other Financing Uses	2,382	-	2,382
Fund Balance - April 1	<u>127</u>	<u>-</u>	<u>127</u>
Fund Balance - March 31	<u>\$ 2,509</u>	<u>\$ -</u>	<u>\$ 2,509</u>

FREMONT TOWNSHIP, ISABELLA COUNTY
OTHER SUPPLEMENTAL INFORMATION
GENERAL FIXED ASSETS
YEAR ENDED MARCH 31, 2005

Schedule 6

	Balance 4/1/04	Additions	Deletions	Balance 3/31/05
Assets				
Land	\$ 51,171	\$ -	\$ -	\$ 51,171
Building	72,347	-	-	72,347
Office Furniture and Equipment	5,521	-	-	5,521
Fire Department Vehicles	113,185	-	-	113,185
Fire Department Equipment	87,945	-	-	87,945
First Response Fund Vehicles	29,080	37,123	-	66,203
First Response Fund Equipment	20,235	-	-	20,235
Total Assets	379,484	37,123	-	416,607
Accumulated Depreciation	124,576	34,622	-	159,198
Total Assets, net of Accumulated Depreciation	<u>\$ 254,908</u>	<u>\$ 2,501</u>	<u>\$ -</u>	<u>\$ 257,409</u>



AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 11, 2005

Township Board
Fremont Township
Isabella County, Michigan

We have recently completed our audit of the financial statements of the Township of Fremont for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Fremont in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help to assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the representations of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

Township Board
Fremont Township
Isabella County, Michigan

An independent auditor's objective of an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at a reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or irregularities. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

Auditing standards call for us to inform you regarding the initial selection of, and changes in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

The significant accounting policies are described in Note 1 to the financial statements. Other information related to implementation of GASB 34 is discussed further in the other communications section.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

The following are the issues noted per the above referenced topics:

Discussed with the Township Clerk the extent to which the township desired to implement GASB 34. Determined at this time, that the Township would continue to maintain its records on a cash basis and that year-end financial reports would be prepared directly from those records using the minimum statement formats suggested by the State reporting requirements.

Township Board
Fremont Township
Isabella County, Michigan

COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS/COMPLIANCE/ EFFICIENCY

In planning and performing our audit of the financial statements of Fremont Township, for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

Reportable Conditions (Material Weaknesses)

Cash

There was one instance that was noted during cash testing where a check written by the Township was returned because the check had only one signature. The Township requires that two signatories sign checks before disbursements are made. It is important that internal control procedures are followed at all times to ensure that documentation and disbursements are properly approved before transactions are made.

Also, during cash testing, we noted that interest earned on certificates of deposits held by the Township are not recorded in the accounting records when earned. We recommend that care be taken to ensure that all interest and other revenues, including those not made directly to the Township, be properly recorded in the general ledger.

Other Reportable Conditions

Minutes

In reviewing the council minutes, we noted that there were several board minutes were not signed when submitted. To strengthen internal control, we recommend that the council minutes be signed when submitted and approved each month.

Township Board
Fremont Township
Isabella County, Michigan

**COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS/COMPLIANCE/
EFFICIENCY (CONTINUED)**

Other Reportable Conditions (Continued)

System Flow and Account Classification of Transactions

During disbursement testing, we noted two account classifications in the general ledger detail that corresponded to a different account classification recorded in the cash disbursements journal. Although the general ledger account classifications were correct and balances properly extended to the financial statements, the flow of transactions throughout the accounting system should be carefully recorded to ensure that such transpositions do not occur.

Community Building Rental Deposits

During the testing of rental deposits payable, noted that the documentation used to keep track of the deposits being received and disbursed is not sufficient to readily substantiate the balance remaining in the liability account at year-end. We recommend that an ongoing document be prepared and used to account for security deposits as they are received and disbursed and as the rentals are reserved and take place.

Firefighter Wages (Repeated Comment)

It was noticed during the audit that payments to firefighters for their attendance at meetings and fire runs were coded to contracted services and treated as payments to contractors. Although the IRS does not have any specific guidance for firefighters, they have prepared a 20 point checklist of items to help determine whether a person is an employee or a contractor. We suggest that the Township investigate the relationship between the firefighters and the Township and make a determination as to whether the firefighters are contractors or employees.

Due to the relationship between the firefighter and the Township, we suggest these payments should be treated as wages and coded as such. We believe the relationship is best described as an employer-employee relationship and FICA should be withheld and matched by the Township. However, the Township should make it's own determination and maintain documentation of this decision for future audits or IRS investigations.

Conflict of Interest (Repeated Comment with Modification)

It was noted on at least one occasion that an apparent conflict of interest occurred and it was not documented in the minutes that the conflicting party abstained from voting. Extra care should be taken to ensure that it is documented if a board member abstains from voting due to conflict of interest when it arises.

Township Board
Fremont Township
Isabella County, Michigan

**COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS/COMPLIANCE/
EFFICIENCY (CONTINUED)**

Other Reportable Conditions (Continued)

Segregation of Duties

Separation of duties between personnel who authorize transactions and persons who have control over related assets does not exist to the extent possible in larger entities with several employees involved in the accounting process.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of accounting duties substantially increases control over errors without duplication of effort.

The desired separation of duties cannot be achieved with only one or two employees involved. The careful and consistent oversight provided by the Township Board appears to offset the inability to separate various accounting functions and should be continued. The Township Board maintains monitoring of the current operations. Operating results are reviewed monthly which provides significant oversight for the inspection of any irregularities and discrepancies. The cost for additional staff to enable separation of duties is likely not economically justified and therefore, the Township Board's oversight is assisting in this internal control function. Our finding is intended only to point out that this element of internal control separation of duties does not, and at present cannot exist.

Financial Oversight

The general limitations in a smaller government require that the Township Board Members continue to remain involved in the financial affairs of the Township through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the financial statements, and the independent review of critical functions. This comment is intended to emphasize the importance of this oversight and to remind the board of its continued obligation to perform accordingly.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied to our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated July 11, 2005.

SUMMARY

We would like to thank the Township personnel and Officials for the cooperation we received from them throughout the course of the audit. We welcome any questions you may have regarding the foregoing comments, and we would be happy to discuss any questions that you might have at your convenience.

This communication is intended for the information of the members of the Township Board, management, and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

Page, Olson & Company